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DE RUEHTRO #0803/01 2820357  
ZNR UUUUU ZZH  
P 080357Z OCT 08  
FM AMEMBASSY TRIPOLI  
TO RUEHC/SECSTATE WASHDC PRIORITY 3976  
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
RUEHRB/AMEMBASSY RABAT PRIORITY 0717  
RUEHAS/AMEMBASSY ALGIERS PRIORITY 0773  
RUEHTU/AMEMBASSY TUNIS PRIORITY 0625  
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RUEHRO/AMEMBASSY ROME PRIORITY 0470  
RUEHFR/AMEMBASSY PARIS PRIORITY 0595  
RUEHLO/AMEMBASSY LONDON 8778 PRIORITY  
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UNCLAS SECTION 01 OF 02 TRIPOLI 000803

SENSITIVE  
SIPDIS

DEPT FOR NEA/MAG; COMMERCE FOR NATE MASON; ENERGY FOR GINA ERICKSON

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [LY](#) [EPET](#) [ETRD](#)

SUBJECT: U.S. FOREIGN COMMERCIAL SERVICE OPENS FOR BUSINESS IN LIBYA

¶1. (SBU) Summary: During his October 5 visit to Tripoli, Department of Commerce Assistant Secretary and Director General of the U.S. and Foreign Commercial Service Israel Hernandez officially opened the new Foreign Commercial Service office at the Embassy and discussed commercial opportunities with U.S. and Libyan business leaders and cooperation with senior Libyan government officials. Coming one month after Secretary Rice's historic trip to Libya, Libyan government representatives enthusiastically welcomed him, as did the small but growing Libyan private sector and representatives of U.S. firms in the energy, telecommunications, and construction sectors. The main messages to him were that there are significant commercial opportunities for American firms in Libya, but challenges still remain in terms of visas, and legal and bureaucratic obstacles. End summary.

¶2. (SBU) In a breakfast roundtable, the leaders of the major U.S. firms in Libya briefed A/S Hernandez on their activities here and described some of the challenges they face, such as procuring visas (both U.S. and Libyan) for employees and Libyan government trainees, and navigating the Libyan legal system. Most of the U.S. companies are involved in oil exploration, production and services, while others have contracts in the burgeoning construction sector (such as AECOM, based in Los Angeles). Some U.S. firms, such as Motorola, are seeking to enter the Libyan telecommunications sector. All the participants voiced complaints about visas, either for their U.S. staff (and their families) to reside in Libya or for their national staff and government partners to travel to the U.S. for training. Some said they believe the Libyan government is delaying the issuance of U.S. employees' visas because Libyans must still travel abroad (i.e., to Tunis) in order to apply for a U.S. visa. The Charge d'affaires pointed out there is a Business Visa program at post to facilitate visas for U.S. companies' Libyan employees and also informed the group the Embassy expects to expand visa issuance in Tripoli in 2009.

¶3. (SBU) Another concern of the U.S. businesses relates to the Libyan legal system. One general manager noted "nothing is written, so all is interpretation." He remarked that he believes Libya is even more litigious than the U.S. and since there are no international law firms and no internationally-trained lawyers, the companies have to rely on local legal counsel. As Libya has been isolated for 20 years, even legal firms based in the Middle East (such as in Dubai) have limited utility in Libya since they lack experience here. On the positive side, U.S. businesses have not had major problems importing materials for their operations, especially

since most activities are tied to Libyan government entities, such as the National Oil Company (NOC).

¶4. (SBU) A/S Hernandez also met with the Libyan Businessmen Council, the main organization of Libya's nascent private sector. The Council welcomed the opening of an Embassy Commercial Office because they would like to do business with small- and medium-sized U.S. companies. Most of the American delegations they have seen were from large companies that dealt mainly with the Libyan government. Most of the Council's members, however, are smaller Libyan enterprises. One of the Libyan representatives for a major U.S. equipment provider noted the Libyan market is highly competitive and many European companies (French, German, Italians) never left Libya during the embargo years. It is therefore even more difficult for U.S. companies to enter or re-enter this market, he said. He did not foresee a "u-turn" on the part of the Libyans to nationalize the economy, as in the past, but he did see a need for a more aggressive U.S. approach to help U.S. businesses and to promote the education of Libyans in American universities, especially in medicine and technology.

¶5. (SBU) The next stop was the Libyan government's National Planning Council in which Under Secretary Mohamed Zidoun and his staff briefed A/S Hernandez on Libya's efforts to diversify its economy and to privatize government enterprises. The Assistant Secretary outlined the purpose of his trip to Libya, i.e. to open the new U.S. FCS office here, noting that Libya was one of the fastest growing markets for U.S. trade. He said the US already had a significant trade deficit with Libya (USD 2.9 billion) so the new FCS office would seek to increase U.S. exports to the Libyan market. Under Secretary Zidoun explained

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the role of the National Planning Council as a Libyan "think tank" that prepares studies related to economic, commercial and trade policy. The proposed government restructuring aimed to provide better services to the population and to further development in education, technology, and healthcare. U/S Zidoun's staff would like to see Libya adopt U.S. models for an educational curriculum. Libya is also trying to diversify its "mono-source" economy so as to raise the standard of living. Libya sees itself as a potential transport hub (like Dubai) and in particular, seeks to be the "gateway" to the rest of Africa. Libya also wants to learn from the Gulf countries' experiences: "It is not enough to construct sky-scrapers but one must also train people to run the companies that occupy them."

¶6. (SBU) On privatization, the Planning Council emphasized "expanding the base of ownership." The Council has conducted studies on how to provide services to Libyans everywhere in the country via the municipalities (akin to counties in the U.S.). The goal is to provide wealth directly to citizens who may spend the money as they like. The Council's staff noted Libya has a relatively small population concentrated along the Mediterranean coast. Therefore, they think reforms are possible so that government will provide only the "basics." One Council member commented, "we cannot go back; we have suffered a lot and we are facing hard moments" in terms of "rebuilding our country" and engaging with the world. He said to A/S Hernandez, "we need your help in education and training" in order to rebuild Libya.

¶7. (SBU) Lastly, A/S Hernandez met with the Under Secretary of the General People's Committee (GPC) for Economy, Trade and Investment. Under Secretary Taher Sarkez and his staff explained the GPC's role in negotiating international trade agreements (such as the ongoing Trade and Investment Framework talks with USTR) and in promoting Libyan exports. A/S Hernandez extended an invitation to Under Secretary Sarkez to visit Commerce Department offices in the U.S. to learn about programs to assist small- and medium-sized businesses. Under Secretary Sarkez welcomed this opportunity. A/S Hernandez said the new FCS office would also work with Libyan businesses who were interested in participating in American trade shows and other networking opportunities in the U.S. U/S Sarkez noted the need to host more U.S. business groups in Libya and said Libya would

probably need to issue more visas to Americans. Finally, U/S Sarkez' staff described an initiative of the GPC to promote Libyan exports other than oil and gas, such as agricultural and fisheries products, via the newly-created Libyan Export Promotion Center.

18. (SBU) Comment: A/S Hernandez' trip to Libya is the first high-level delegation here since Secretary Rice visited Libya just a month ago. He was enthusiastically welcomed by Libyan government representatives, the small but growing Libyan private sector, and representatives of U.S. firms. The main messages to him were that Libya is open to American companies and future educational/technological exchanges but that challenges still remain in forging the new relationship in terms of visas, legal and bureaucratic obstacles and re-establishing new ties with Libyans after a 25-year absence from the market. End comment.

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